

# Senate Budget & Fiscal Review

## *Senator Wesley Chesbro, Chair*



### Subcommittee No. 3 on Health, Human Services, Labor, and Veterans Affairs

Senator Wesley Chesbro, Chair  
Senator Gilbert Cedillo  
Senator Tom McClintock  
Senator Bruce McPherson  
Senator Deborah Ortiz

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Wednesday May 21, 2003  
9:00 A M  
Room 4203

### *AGENDA – Part I*

Consultant, Kimberly Collins

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## **8955-8966 DEPARTMENT OF VETERANS AFFAIRS and VETERANS' HOMES OF CALIFORNIA**

**Purpose and Description.** The Department of Veterans Affairs (DVA) provides services to qualified veterans and eligible members of the National Guard. Principally, it

- Assists eligible veterans and their dependents in obtaining federal and state benefits.
- Makes below-market loans to qualified veterans for homes and farms. The loans made through the California Veterans Farm and Home Purchase Program use the proceeds from the sale of general obligation and revenue bonds.
- Operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County) and Chula Vista (San Diego County).

**April Finance Letter:** Veterans home Fund Construction team-It is requested that item 8955-001-0701 be added in the amount of \$165,000 to provide funding for two limited-term positions assigned to supervise the construction and development of the new veterans homes.

**Staff Recommendation:** Adopt April Finance Letter.

### **MAY FINANCE LETTERS**

**Department of Veterans (DVA) General Administration–** It is requested that item **8955-001-0001** be increased by \$1,892,000 and 28.0 positions (26.6 personnel years) to provide funding and position authority for central services positions and a Director of Medical Services. The central services positions and related funding would be transferred from the budget of the Yountville Homes

**Yountville Veterans Home –** It is requested that item **8960-011-0001** be decreased by \$1,845,000 and 59.5 positions (56.5 personnel years) and amended to reflect a decrease in reimbursements of \$3,182,000 and an increase in federal funds of \$980,000. **This action would:**

(1) authorize DVA to expend additional federal funds received due to an increase in the United States Department of Veterans Affairs (USDVA) per diem rate, with a commensurate decrease in General Fund expenditure authority; (2) decrease the Home's budgeted reimbursements, with a commensurate increase in the General Fund appropriation; and (3) reorganize the Home-including a census reduction for Holderman Hospital, the transfer of central service positions to Headquarters, the restructuring of the urgent and ambulatory care clinics, and the consolidation of the Home's business office.

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**Questions from committee:**

- What is the departments need for 28 positions?
- What reorganization has taken place to allow Yountville to be decreased by \$1,845,000 and 59 positions?
- How long has Headquarter had the 27 position being paid from the Yountville funding?

**Staff recommendation:** The committee should reject the Finance Letter.

**It is also requested that provisional language be added to Item 8960-011-0001, as follows:**

Notwithstanding any other provision of law, unpaid balances remaining from General Fund loans extended to the Department of Veterans Affairs, Veterans Home of California-Yountville, authorized pursuant to the Budget Acts of 1999 (Chapter 50, Statutes of 1999) and 2001 (Chapter 106, Statutes of 2001) shall be forgiven.

This would provide a formal forgiveness of loans from the General Fund authorized pursuant to the Budget Act of 1999 (Chapter 50, Statutes of 1999) and the Budget Act of 2001 (Chapter 106, Statutes of 2001). The amounts that the Department projects it will be **unable to repay**, due to an inability to collect budgeted reimbursements, are **\$2,000,800 from the 1999-00 loan and \$6,300,000 from the 2001-02 loan.**

**Barstow Veterans Home-**It is requested that Item **8965-001-0001 be decreased** by \$1,759,000 and 116.6 positions (110.8 personnel years) and amended to reflect a decrease in reimbursements of \$2,992,000 and a decrease in federal funds of \$1,769,000. This action is due to the closure of the skilled nursing facility at the Barstow Home.

**Chula Vista Veterans Home-**It is requested that Item **8966-001-0001 be increased** by \$22,000 and 23.4 positions (22.2 personnel years) and amended to reflect an increase in reimbursements of \$1,269,000, and an increase of federal funds of \$994,000. This action would: **(1)** authorize DVA to expend additional federal funds received due to an increase in the USDVA per diem rate, with a commensurate decrease in General Fund expenditure authority; **(2)** make funding adjustments due to changes in census since the release of the Governor's Budget; and **(3)** convert the Intermediate Care Facility at Chula Vista to a 60-bed Skilled Nursing Facility, in order to accommodate patients transferred from the Barstow facility.

**Staff recommendation:** Committee should adopt finance Letter.

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**ISSUES**

**(1) County Veterans Service Office:** The Governor's January 10 proposed budget would reduce the County Veterans Service Office by \$470,000, a 21 percent reduction from current year.

**Staff recommendation:** The committee should reject the Governor's January 10 proposal.

**(2) Domiciliary Fee Increase:** All veterans home residents are assessed members fees based upon the level of care they receive and their income. Residents living in domiciliary settings pay 47.5 percent of their income in member fees up to a \$1,200 monthly cap.

**Governor's January 10 proposed budget** proposes a 7.5 percent fee increase for residents of the domiciliary wings of the state's veterans' homes.

**Staff recommendation:** Committee should reject the Governor's January 10 budget proposal.

**LAO to present TBL for reimbursements**

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## **0559 Secretary for Labor and Workforce Development Agency**

**Description:** The Secretary is a new cabinet-level appointment authorized by SB 1236 (Alarcón), effective January 1, 2003. The Secretary is appointed by the Governor and subject to conformation by the Senate. The Secretary is responsible for coordinating and enforcing labor in the state.

SB 1236 also created the Labor and Workforce Development Agency, which consists of the Department of Industrial Relations (DIR), Employment Development Department (EDD), Agricultural Labor Relations Board (ALRB), and Workforce Investment Board (WIB). The bill specifies that funding for the agency come from the reallocation of existing resources allocated to the various entities prior to formation of the agencies. No funds may be reallocated from the Agricultural Labor Relations Board. It also specifies that no appropriation of new General Fund moneys would be permitted to implement the bill.

**April Finance Letters:** It is requested that item **0559-001-0890** be deleted, reimbursements be increased by \$136,000 and item **0559-001-0001** be amended to reflect these changes.

The Budget Act of 2002 contained funding for the first year of operation of the labor and Workforce Development Agency (Agency). All funds supporting the Agency were redirected from departments under the new agency, including federal funds from the Department of Industrial Relations (DIR) and the California Workforce investment board (CWIB). The Administration now proposes to delete the Agency's federal funds appropriation and increase Reimbursements by an equivalent amount. Conforming Finance Letters revising the federal fund expenditure authority in the budgets of the CWIB and DIR are also being transmitted.

**Staff recommendation:** Adopt April Finance letter.

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**7100        Employment Development Department**

**Description:** The Employment Development Department (EDD) links employers and job seekers. The department provides services through four main functions: (1) employment-related services; (2) tax collections and benefit payments; (3) employment training programs; and (4) Workforce Investment Act activities.

**FINANCE LETTER****Unemployment Insurance (UI) Benefit Adjustments—Issue 002**

It is requested that Item 7100-101-0871 be increased by \$1,411,732,000 to reflect a projected increase in UI benefit payments. For technical conformity, it is requested that Item 7100-111-0890 also be increased by \$1,411,732,000.

**Staff recommendation:** Committee should Adopt Finance Letter.

**Disability Program**

California's Disability Insurance program is a worker funded program to provide benefits to eligible workers suffering a loss of wages when they are unable to perform their usual work because of non-occupational illness, injury or pregnancy. The increases are based on workload estimates.

**Disability Insurance (DI) Program and Benefit Adjustments—Issues 001, 003 and 004**

It is requested that Item 7100-001-0588 be increased by \$14,693,000 and that Item 7100-001-0870 be amended to reflect this change. The following augmentations are proposed:

- \$13,609,000 and 103 personnel years to provide for the implementation and administration of the Family Temporary Disability Insurance Program created by Chapter 901, Statutes of 2002 (SB 1661).
- \$1,084,000 for administrative costs associated with annual updates of workload estimates.

It is requested that Item 7100-101-0588 be increased by \$66,203,000 to reflect an anticipated increase in DI benefit payments.

**School Employees Unemployment Caseload**

The School Employees Fund is a joint, pooled-risk fund administered by EDD for unemployment insurance benefits for employees of public schools and community college districts.

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**School Employees Fund—Issue 005**

It is requested that Item 7100-101-0908 be increased by \$39,735,000 to fund projected increases in benefit payments from the School Employees Fund.

**Staff recommendation:** Committee should adopt Finance Letter.

**Faith-Based Funding**

As a part of welfare reform, the federal government approved legislation permitting churches and other faith-based organizations to receive federal funds without having to remove the religious content from their programs. The Bush Administration has created a White House Office of Faith-Based and Community Initiatives, charged with the task of strengthening and expanding the role of these organizations and creating a “faith-friendly” environment where faith-based organizations can “complete equally” to provide government-sponsored services.

To further this agenda President Bush created centers for Faith Based (and Community Based Incentives in six departments: Health and Human Services, Agriculture, Education, Housing and Urban Development, Justice and Labor. **The Governor proposed \$4.0 million in additional funds from the WIA discretionary funds to provide additional funding for the Faith Based Initiative.**

**Trailer Bill Language:**

Add Section 14003 to the Unemployment Insurance Code

14003. Grants or contracts awarded under the federal Workforce Investment Act or any other state or federally funded workforce development program shall comply with Section 4 of Article I and Section 5 of Article XVI of the California Constitution, state and federal civil rights laws, and the First Amendment to the United States Constitution in regard to pervasively sectarian organizations. These legal constraints include prohibitions on the discrimination against beneficiaries and staff based on protected categories and on the promoting of religious doctrine to advance sectarian beliefs.

**LAO comments**

**Staff recommendation:** Committee should adopt trailer bill language.

**Continuation of Reed Act Funding for Unemployment Insurance Administration.**

The budget appropriates \$15.4 million in Reed Act funds to replace the discontinued Special Reed Act distributions formerly used to augment federal Unemployment Insurance funding.

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**Reed Act Funds—Issues 008, 009, and 010**

It is requested that Item 7100-001-0870 (UI Administration Fund) be reduced by \$48,095,000, that Item 7100-001-0871 (Reed Act) be increased by \$50,448,000 and that Item 7100-001-0870 be amended to reflect this change. The proposed increased Reed Act expenditures include:

- \$47,498,000 to reflect a shift from UI Administration funds to Reed Act funds to maintain administrative support of current UI workload, despite a reduction in federal UI Administration funding.
- \$2,950,000 and 43.7 personnel years from Reed Act funds to support increased UI fraud prevention activities.
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For technical conformity, it is requested that Item 7100-041-0890 be increased by \$2,353,000 to reflect the difference between the \$48,095,000 reduction and the \$50,448,000 increase.

**Staff recommendation:** Committee should adopt Finance Letter.

**Unemployment Insurance and Disability Insurance Call Centers** In the late 1990's, California shifted from a system of local offices for the in-person delivery of Unemployment Insurance and Disability Insurance benefits, to use of centralized telephone call centers and mail delivery of benefits. The subcommittee reviewed statistics covering both unemployment and disability systems last year.

That review disclosed that Disability Insurance call centers in particular had high rates of incomplete or abandoned calls; callers that reached a representative waited for nearly 4 minutes to do so. The subcommittee requested a **Supplemental Report from the Department by February 1, 2003**, showing statistics concerning Disability Insurance Call Centers, including 1) calls received daily; 2) disposition of the calls received; 3) average call waiting times; and 4) steps the Department is taking to improve services in the call centers.

**The subcommittee could designate a portion of Reed Act funds to the call center system to assure that the department has sufficient resources to upgrade the call centers.**

**Staff recommendation:** Allow use of Reed act funds to upgrade call center systems.

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**Employment Training Panel**

**Description.** The Employment Training Panel (ETP) is funded by the Employment Training Fund. The Employment Training Fund (ETF) generates revenues by receiving 0.1 percent of wages (**cap of \$7 per year per employee**) from the Employment Training Tax levied on California employers' contributions to the unemployment insurance system.

For several years, funds have been transferred from the ETF to CalWORKs, as part of the state's Maintenance of Effort for Welfare Reform. The current-year budget appropriated \$30 million for this purpose. This year's budget proposes to transfer \$21.4 million from the fund to CalWORKs. Of this amount \$2.9 million is allocated to EDD for the State and Local Labor Markets Information Program, \$4.8 million is allocated to EDD for collection of the employment training tax, and \$2.9 million is allocated to DIR for administrative support of division of Apprenticeship standards.

**FINANCE LETTER****Employment Training Fund (ETF)—Issues 013 and 050**

It is requested that Item 7100-001-0870 be amended to reduce Program 10, Employment and Employment Related Services by \$2,915,000 and to increase Program 50, Employment Training Panel (ETP) by an equal amount. This action will eliminate funding for the Labor Market Information Program in EDD. Proposed statutory changes to implement this reduction are enclosed

**ISSUE**

Section 10533 of the California Unemployment Insurance code requires the Employment Development Department (EDD) to operate the State-Local Cooperative Labor Market Information Program (LMIP). The EDD meets this requirement through the California Cooperative Occupational Information System (CCOIS). The CCOIS is currently funded by the workforce Investment Act (WIA) Governor's 15 Percent Discretionary funds, and the Employment Training Fund (ETP), on an equal (50-50) share basis for at least the last six years.

**Questions from committee:**

- It is a federal requirement that EDD administer the LMID program. Can EDD continue to administer the program, and how, if the funds are reverted back to ETP?

**Proposed Trailer Bill Language (Employment Training Fund)**

Section XX. Section 1611 of the California Unemployment Insurance Code is amended, to read:

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1611. Money in the Employment Training Fund shall be expended only for the purposes of Chapter 3.5 (commencing with Section 10200) of Part 1 of Division 3, and for the costs of administering this article and Section 976.6, except:

(a) With the approval of the Legislature, the fund or contributions to it may be used to pay interest charged on federal loans to the Unemployment Fund.

(b) Commencing with allocations made to the Employment Training Panel in the 1992-93 fiscal year, any moneys allocated to the panel in a fiscal year that are not encumbered by the panel in that fiscal year, shall revert to the Unemployment Insurance Fund.

~~(c) Commencing with the 1994-95 fiscal year, and for each fiscal year thereafter, to the extent that interest is earned on the money in the Employment Training Fund, that interest shall be used to fund up to 50 percent of the costs of the State-Local Cooperative Labor Market Information Program established pursuant to Section 10533, but in an amount not to exceed three million one hundred thousand dollars (\$3,100,000).~~

~~(d)~~(c) It is the intent of the Legislature that the panel shall closely monitor program performance and expenditures for employment training programs administered by the panel, and that the panel shall expeditiously disencumber funds that are not needed for employment training program completion. Commencing with the 1992-93 fiscal year, those moneys that are disencumbered during the fiscal year that are not reencumbered during the same fiscal year shall revert to the Unemployment Insurance Fund.

**Staff recommendation:** Committee should adopt Finance Letter.

**Proposed Trailer Bill Language (Employment Training Fund)**

Section XX. Section 10533 of the California Unemployment Insurance Code is amended, to read:

10533. (a) The Employment Development Department shall operate the State-Local Cooperative Labor Market Information Program as the primary component of the comprehensive labor market and occupational supply and demand information system provided in Section 10532. The department shall consult with agencies listed in Section 10530 in the development and operation of this program.

(b) The objectives of this program shall be to produce, through extensive local participation and for distribution in effective formats to all local users, reliable occupational information, and to achieve cost-efficient production by avoiding duplication of efforts. The program shall be a primary source for local and statewide occupational information and shall be available in all labor market areas in the state.

(c) In producing this information, state and local agencies shall use state occupational forecasts and other indicators of occupational growth, combined with local employer surveys of recruitment practices, job qualifications, earnings and hours, advancement and outlook, to provide statistically valid occupational analyses for local job training and education programs.

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(d) Local labor market information studies shall be conducted ~~under the direction of~~ by the department or by a local entity and shall include the participation of local users of the information.

(e) ~~Funding for this program shall be provided annually through Budget Act appropriations to the Employment Development Department, except that no more than 50 percent of the funding shall be appropriated from the Employment Training Fund.~~

It is requested that Provision 2 in Item 7100-001-0514 be revised to provide for an interagency agreement between the ETP and the Technology, Trade and Commerce Agency under which \$2,126,000 of the amount available for employment training contracts shall be used to support the Manufacturing Technology Program. Suggested. Budget bill language states:

**Staff recommendation:** Committee should adopt trailer bill language.

### **ISSUE**

#### **Proposed Provisional Language for Item 7100-001-0514**

~~“2. Any funds appropriated for the Employment Development Department, State Local Cooperative Labor Market Information Program, if not expended by June 30, 2004, shall be made available to the Employment Training Fund for the purposes of funding job training contracts.”~~

2. Of the funds available in this item for employment training contracts, \$2,126,000 shall be made available for an interagency agreement with the Technology, Trade and Commerce Agency to provide grant funds of \$2,000,000 and administrative costs of \$126,000 for the Manufacturing Technology Program.

#### **Questions from committee:**

- ETP has requested this reversion for training purposes. How does the use of these funds for manufacturing Technology Programs contribute to ETP’s training program?
- Does this appropriation create a new agency?

#### **DOF comments**

**Staff recommendation:** Committee should adopt Finance Letter.

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**Workforce Investment Act (WIA):**

In 1998, the federal government redesigned federal employment and training programs in the Workforce Investment Act (replacing the former Job Training Partnership Act. The redesign included funding for adults, dislocated workers, youth, Wagner-Peyser funds (used primarily for Job Services), Vocational Rehabilitation Program, and Adult Education and Literacy. EDD administers all of these except Vocational Rehabilitation and Adult Education and Literacy. **The Federal Governments 2004 budget proposal announced combining of the three programs- the WIA Adult program, the WIA Dislocated Worker program and the Employment Services state grants (Wagner-Peyser) into one block grant of \$3.1 billion to states.** This eliminates the Employment Services as a distinct entity.

According to the Department of Labor (DOL) the calculation of the total for the block grant funding amounts for the redesign requested by the President is the same amount of the 2003 and represents significant cuts in funding for these activities, a 5 percent cut for adult programs and more than a 10 percent cut for dislocated worker program.

**EDD's Employment Training Programs.**

EDD administers the Employment Training Tax from employers who participate in the Unemployment Insurance system, and uses the funds in performance-based contracts to provide training to unemployed workers in high-wage, high-skill jobs, and to retrain incumbent workers in businesses challenged by out-of-state competition. EDD administers federal Welfare to Work funds from the Department of Labor, providing transitional assistance for recipients of CalWORKs. EDD coordinates the Workforce Investment Act, which provides federal funds for Adult Employment and Training, Youth Activities and Dislocated Workers Employment and Training. The majority of these funds are administered through local Workforce Investment Agencies; up to 15% is reserved for discretionary projects at the statewide level. **Governor's Budget proposes a reduction of \$612,000 and 11.0 personnel years.**

**FINANCE LETTER****Workforce Investment Act (WIA) Adjustments—Issues 011 and 012**

It is requested that Item 7100-001-0869 be reduced by \$22,274,000 to reflect a reduction in the U.S. Department of Labor's estimated WIA allocation to California for state operations. For technical conformity, it is requested that Item 7100-021-0890 also be reduced by \$22,274,000.

It is requested that Item 7100-101-0869 be reduced by \$66,643,000 to reflect a reduction in **local assistance** for the Consolidated Workers Program under WIA. For technical conformity, it is requested that Item 7100-101-0890 also be reduced by \$66,643,000.

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- Departments comments
- DOF comments
- LAO comments

**Staff recommendation:** The Finance Letter reflects the reduction from the federal budget proposal. However the department should be able to provide a revised list of proposed projects to be funded by WIA discretionary 15 percent funds. The Committee should adopt the finance Letter with the understanding the department will supply the Legislature with the revised list when available.

### **MAY REVISION PROPOSAL:**

**Workforce investment Act Programs:** The May Revision reflects a reduction of \$88.9 million in federal Workforce Investment Act funds. Of this amount, \$66.6 million will be reduced from local assistance programs for adult employment and training, youth activities, and dislocated workers. The state operations reduction of \$23.3 million will affect programs supported by 25 percent Rapid Response funds and 15 percent Governor's Discretionary funds.

### **DOF comments**

**Staff recommendation:** Committee should adopt May Revision Proposal.

**WIA Discretionary Funds.** As described above, WIA sets aside 15 percent of each of the three funds for use at the state level for discretionary activities. The subcommittee spent considerable time in last year's budget hearings discussing the process for scheduling and describing the use of discretionary funding.

\$2.3 million is used for administration of WIA, including both EDD and CWIB expenditures. Other federally-required activities are budgeted for \$25.5 million budget year. The balance in each year is used for various programs selected by the Administration as a priority.

### **Trailer Bill Language States:**

It is the intent of the Legislature that, beginning with 2004-05 fiscal year, both the Governor's budget, and Item 7100-001-0869 of the proposed budget act, each include a separate schedule which itemizes the proposed programs that are to be supported by federal funds pursuant to Section 128(a) of the Workforce Investment Act of 1988 (PL 105-220). The itemized schedule may include provisions authorizing the Director of Finance to make certain transfers and modifications to the schedule no sooner than 30 days after written notification to the Joint Legislative Budget Committee. Such transfer

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and notification provisions would be in addition to those prescribed in Sections 26 and 28 of the proposed budget act.

**Staff recommendation:** Committee should adopt trailer bill language.

**Treasury Offset Program (TOP)—Issues 014 and 015**

It is requested that Item 7100-001-0185 be increased by \$544,000, Item 7100-001-588 be increased by \$56,000, and Item 7100-001-0870 be amended to reflect this change. These changes are requested to implement the TOP, which would offset federal tax refunds against delinquent State tax liabilities. This proposal is estimated to generate additional revenues of \$22.5 million (\$14.3 million General Fund).

It is requested that Item 7100-011-0185 be increased by \$8,006,000 to reflect an anticipated increase in the amount of Contingent Funds available for transfer to the General Fund resulting from the implementation of the TOP.

**Staff recommendation:** Committee should adopt Finance Letter.

**Technical Program Change—Issue 007**

It is requested that Item 7100-001-0870 be revised to increase Program 10, Employment and Employment Related Services by \$3,023,000 and to reduce Program 21, Tax Collections and Benefit Payments by an equal amount. This revision would correct a technical error in the 2003-04 Governor's Budget.

**Staff recommendation:** Committee should adopt Finance Letter.

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## **7120 CALIFORNIA WORKFORCE INVESTMENT BOARD**

The federal Workforce Investment Act of 1998 (P.L. 105-220) (WIA) repealed the Job Training Partnership Act and changed the requirements and system design for federally supported workforce preparation and retention systems nationwide. The new WIA requires a comprehensive performance accountability system for workforce development programs.

WIA also requires the state to establish a California Workforce Investment Board (CWIB) to assist the Governor in restructuring workforce development programs into an integrated workforce investment system that can respond to the employment, training and education needs of its customers. Services are required to be provided through a network of One-Stop Career Centers. There is a federal act that specifies at a minimum, the CWIB is to assist the Governor in certain activities.

**April Finance Letter:** California Workforce Investment board Item **7120-001-0890** be increased by \$65,000 to reflect a technical revision necessary to provide funding for the Labor Workforce Development Agency. These federal funds will be provided as reimbursements in the Agency's budget. A separate finance Letter reducing the Agency's federal fund appropriation and increasing reimbursements is also being transmitted.

**Staff recommendation:** Committee should adopt April Finance Letter.

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## **7350 Department of Industrial Relations**

The Department of Industrial Relations (DIR) is intended to protect the workforce, improve working conditions, and advance opportunities for profitable employment in California. The department's major areas of responsibility include labor law, workplace safety and health, apprenticeship training, workers' compensation, statistics and research and mediation and conciliation.

**April Finance Letter:** It is requested that item **7350-001-0890** be increased by \$71,000, item **7350-001-0452** be increased by \$3,373,000 and item **7350-001-0001** be amended to reflect these changes.

**Revised contribution to Labor Agency:** An augmentation of \$71,000 to reflect a technical revision necessary to provide funding for the Labor and Workforce Development Agency. These federal funds will be provided as reimbursements in the Agency's budget. A separate Finance Letter reducing the Agency's federal fund appropriation and increasing reimbursements is also being transmitted.

**Elevator Safety Inspections:** An increase of \$3,373,000 to provide additional resources and 37.0 positions for the Division of Occupational Safety and Health to reduce the backlog of elevators currently operating with expired inspection certificates and to address new inspection workload.

**Staff recommendation:** The committee should adopt the April Finance Letter.

**Division of Workers' Compensation (DWC).** California's workers compensation system was established by the Legislature in 1913 and provides the exclusive remedy for industrial injuries, irrespective of the fault of the employee or employer. All employers in California, except the state, must secure payment of workers' compensation insurance by purchasing of an insurance policy or by obtaining a certificate for self-insurance from DIR. Injured workers receive medical treatment without cost as well as a variety of benefits to compensate for injuries arising out of and in the course of employment.

The Division of Workers' Compensation (DWC) is the lead state agency that oversees the administration of workers' compensation benefits to approximately 1.5 million Californians who are injured on the job each year. One of DWC's core responsibilities is the administration of California's exclusive judicial system for resolution of work injury claims.

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**FINANCE LETTER****Amendment to Budget Bill Item 7350-001-0223, Support, Department of Industrial Relations**

It is requested that language be added to Item 7350-001-0223 to authorize a General Fund loan. This language would authorize a General Fund loan to meet cash flow needs resulting from anticipated delays in the receipt of assessments paid by employers to the Workers' Compensation Administration Revolving Fund, which supports the various workers' compensation programs and divisions within the Department of Industrial Relations. Suggested Budget Bill language States:

1. The Director of Finance may authorize a loan from the General Fund to the Workers' Compensation Administration Revolving Fund, in an amount not to exceed 50 percent (\$51 Million) of the amount appropriated in this item, provided that:

- (a) The loan is to meet cash needs resulting from the delay in receipt of employer assessments to support the Workers' Compensation Administration Revolving Fund.
- (b) The loan is short-term and shall be repaid in two equal installments due on March 31 and June 30 of the fiscal year in which the loan is authorized.
- (c) Interest charges may be waived pursuant to subdivision (e) of Section 16314 of the Government Code.
- (d) The Director of Finance may not approve the loan unless the approval is made in writing and filed with the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house that considers appropriations not later than 30 days prior to the effective date of the approval, or not sooner than whatever lesser time the chairperson of the joint committee or his or her designee may determine.

**Staff recommendation:** Committee should adopt Finance Letter.

**FINANCE LETTER CONTROL SECTION**

**Control section 4.15 workers' Compensation Reform:** The Administration is proposing to reform the Workers' Compensation System in California in order to reduce employer cost for Workers' compensation. It is requested that the Budget Bill be amended to include **Control Section 4.15** to provide the Department of Finance with the authority to adjust amounts in any appropriation item, or in any category thereof, To reduce General Fund, special fund, and non governmental cost fund appropriations to reflect decreased Workers' compensation costs that result from reforms to the Workers' Compensation costs that results from reforms to the Workers' Compensation System.

**Staff recommendation:** DOF has scored a savings of \$30 million with the anticipated Workers' Compensation Reform. Committee should adopt Finance Letter.

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**January 10 Trailer Bill Issue:**

**100 percent User Fees for Workers' Compensation Program.** The Governor's January 10 proposed budget eliminates General Fund support for the Workers' Compensation Division, for a General Fund savings of \$24.6 million in 2002-03 and \$73.7 million in 2003-04. The General Fund support is replaced with revenue from a fee imposed on employers. To implement this provision, the Administration proposes a statutory law change to increase the fees.

The Administration proposes a significant increase in the fee imposed on employers for the workers' compensation program. The proposal would raise employer costs by \$24 million (half year) in the current year and \$70 million in the budget year. The fee proposal was introduced in the First Extraordinary Session, as SB 10x, but was not taken up when the Senate considered the December Revision.

**Staff recommendation:** Committee should adopt Governor's January 10 proposed budget.

**Additional January 10 trailer bills**

**Transfer Uninsured Employers Fund Administration to SCIF** \$18.1 million GF savings new assessment, **Transfer Subsequent Injuries Fund Administration to SCIF** 5.4 million GF savings, new assessment, this was Formerly funded in item 8450-001-0001. **Industrial Medical Council fund Shift** (\$321,000 GF Savings) these provisions are in one trailer bill.

**Apprenticeship Training Contribution Fund** (Provides for \$1.4 million transfer to the GF and restoration in 2003-04 of the ACTF grant program in DIR. This is in a standalone bill.

**Staff recommendation:** Committee should adopt Trailer bill language.

**Industrial Welfare Commission (IWC):**

**Description:** According to the department, the IWC's primary responsibility is to set the minimum wage. In addition it is the only entity devoted to ascertaining the hours, and conditions of labor and employment in various occupations.

- Comments from Labor
- DOF comment
- LAO comment

**Staff recommendation:** Committee should decrease IWC's budget by one half from \$470,000 to \$235,000.

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